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SUBJECT:OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
JUNE 21, 1977

1. OECD MINISTERIAL (CONFIDENTIAL)

THE OECD MINISTERIAL MEETING JUNE 23-24 WILL BE ATTENDED BY SECRETARIES VANCE AND BLUMENTHAL. THE AUSTRALIAN FOREIGN MINISTER AND TREASURER WILL CHAIR. OUR OBJECTIVES ARE TO MAINTAIN THE MOMENTUM GENERATED AT THE DOWNING STREET SUMMIT; TO PROVIDE NON-SUMMIT OECD COUNTRIES WITH A SENSE OF PARTICIPATION IN THE ECONOMIC POLICY COORDINATION PROCESS; TO CONTINUE TO WORK ON NORTH-SOUTH ISSUES TO ACHIEVE A MORE EQUITABLE AND STABLE ECONOMIC SYSTEM; AND TO REITERATE OUR COMMITMENT TO THE OECD AS THE
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PRINCIPAL FORUM FOR ECONOMIC POLICY COORDINATION AMONG THE INDUSTRIALIZED DEMOCRACIES.

THE SECRETARY'S SPEECH WILL PROPOSE, AMONG OTHER THINGS, THAT THE OECD ESTABLISH A SPECIAL WORKING GROUP TO DESIGN A "PROGRAMFORPROGRESS ON BASIC HUMAN NEEDS". SECRETARY BLUMENTHAL WILL DEAL WITH THE PROBLEMS OF ECONOMIC

COORDINATION AMONG MEMBER COUNTRIES AND WILL STATE WITH

SOME EMPHASIS THAT WE ARE "CONCERNED BY THE SECRETARIAT'S FORECASTS WHICH SUGGEST THAT CURRENT POLICIES MAY NOT ENABLE EITHER GERMANY OR JAPAN TO REACH ITS STATED GROWTH TARGET AND THAT TOO MUCH OF THE GROWTH OF OUTPUT, IN JAPAN PARTICULARLY, IS GOING INTO EXPORTS". THE TRADE PLEDGE WHICH WAS FIRST UNDERTAKEN IN THE OECD IN 1974 WILL MOST LIKELY BE RENEWED, ALTHOUGH SOME COUNTRIES, AMONG THEM NEW ZEALAND, WILL HAVE TO ANNOUNCE WHETHER OR NOT THEY INTEND TO ADHERE THIS YEAR; ALSO THE FRENCH ARE PUSHING FOR THE QUALIFICATION WHICH THEY INTRODUCED AT THE DOWNING SUMMIT. OUTSIDE OF THE OECD MEETING WE WILL BE SEEKING THE CONTINUATION OF THE G-8 COORDINATING MECHANISM ON NORTH-SOUTH ISSUES AS THE ONE WHICH HAS SO FAR WORKED EFFECTIVELY. BECAUSE OF EEC COMPLICATIONS WE HAVE TO TREAT THIS CAUTIOUSLY. THE SECRETARY IS EXPECTED TO DISCUSS THIS WITH HIS JAPANESE COUNTERPART IN THE BILATERAL MEETING.

2. ASEAN-JAPANESE, ASEAN-NEW ZEALAND RELATIONS

(CONFIDENTIAL)

GEARING UP CONTINUES FOR THE ASEAN LEADERS TALKS WITH THE PRIME MINISTERS OF JAPAN, AUSTRALIA, AND NEW ZEALAND. THE NEW ZEALANDERS HAVE SENT A MISSION TO EXPLAIN THEIR
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GSP SYSTEM AS WELL AS AN INVESTMENT MISSION TO ASEAN. THE JAPANESE PLAN ON SENDING REPRESENTATIVES FOR INFORMAL PRELIMINARY CONSULTATIONS TO THE UPCOMING ASEAN MEETINGS OF THE INDUSTRIAL POLICY COMMITTEE, TRADE COMMITTEE AND THE ECONOMIC MINISTERS.

PRESENT INDICATIONS ARE THAT THE JAPANESE ARE PLANNING A NUMBER OF MINOR CONCESSIONS TO ASEAN RATHER THAN ANY SINGLE DRAMATIC MOVE. LIKELY FORMS FOR THESE CONCESSIONS INCLUDE ASSISTANCE FOR THE ASEAN INDUSTRIAL COORDINATION PROJECTS, PROBABLY THROUGH THE FINANCING OF FEASIBILITY STUDIES, MINOR TRADE CONCESSIONS, AND THE MAINTAINING OF CURRENT AID LEVELS TO ASEAN IN SPITE OF INCREASING DEMANDS TO DO MORE FOR THE LLDCS.

ON THE SUBJECT OF JAPANESE AID, THE FOREIGN AND FINANCE MINISTRIES CONTINUE TO HOLD DIFFERING VIEWS REGARDING FUTURE LEVELS. THOUGH CALLING FOR A DOUBLING OF JAPANESE AID OVER THE NEXT FIVE YEARS AT CIEC THAT FIGURE MADE NO ACCOMMODATION FOR INFLATION. HENCE, THE JAPANESE THEMSELVES ESTIMATE A DOUBLING MIGHT ONLY MEAN AN INCREASE TO .3 PERCENT OF GNP FROM THE 1976 LEVEL OF .28 PERCENT.

THE FOREIGN MINISTRY CONTINUES TO PUSH FOR A TARGET LEVEL OF .36 PERCENT BY 1982, AGAINST FINANCE MINISTRY

RESISTANCE, A FIGURE THAT WILL REQUIRE ANNUAL INCREASE IN AID BUDGETS OF OVER 20 PERCENT.

3. US-ASEAN CONSULTATIONS (LIMITED OFFICIAL USE)

WE HAVE A MESSAGE IN PREPARATION TO EMBASSY MANILA WHICH WILL ACCEPT THE SEPTEMBER 7-9 DATES FOR US-ASEAN CONSULTATIONS AND INDICATE THAT YOU WILL HEAD THE AMERICAN DELEGATION.

4. AID LEGISLATION (LIMITED OFFICIAL USE)
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THE OMNIBUS APPROPRIATIONS BILL COMES BEFORE THE HOUSE FLOOR TOMORROW. OUR MAJOR CONCERN IS THE POSSIBILITY THAT CONGRESSMAN YOUNG WILL INTRODUCE HIS AMENDMENT AGAINST DIRECT OR INDIRECT AID TO THE INDOCHINA COUNTRIES. IF SUCH AN AMENDMENT WOULD PASS THIS WOULD ADVERSELY AFFECT THE PROSPECTS OF ELIMINATING IN CONFERENCE THE DOLE AMENDMENT ATTACHED TO THE IFI AUTHORIZATION BILL PASSED BY THE SENATE LAST WEEK AND WHICH CALLS FOR US IFI REPRESENTATIVES TO VOTE AGAINST ANY LOANS TO VIETNAM, LAOS OR CAMBODIA AND REDUCE THE US CONTRIBUTION TO THE IFIS MAKING SUCH LOANS BY THE AMOUNTS OF SUCH LOANS. WE ARE WORKING WITH H TO PREVENT THE YOUNG AMENDMENT AND TO ELIMINATE THE DOLE AMENDMENT.

5. SHOES (LIMITED OFFICIAL USE)

THE FOOTWEAR ORDERLY MARKETING AGREEMENT WITH KOREA WAS SIGNED TODAY.

THE EPG DISCUSSED THE ADJUSTMENT ASSISTANCE PROGRAM FOR SHOES AND OPTIONS TO IMPROVE THE GENERAL ADJUSTMENT ASSISTANCE PROGRAM. THE SHOE PLAN WAS FOUND GENERALLY ACCEPTABLE ALTHOUGH SOME DETAILS NEED TO BE WORKED OUT. THE MORE GENERAL PROGRAM NEEDS TO BE REFINED TO FIT WITHIN A DOLLARS 500 MILLION ANNUAL BUDGET AND TO REQUIRE MINIMUM LEGISLATIVE CHANGES.

6. OILS (LIMITED OFFICIAL USE)

AT OUR REQUEST THE WORLD BANK HAS POSTPONED CONSIDERATION OF LOANS TO INDONESIA WHICH INCLUDED SOME PALM OIL PRODUCTION. THE LOAN WILL BE CONSIDERED AT A LATER DATE,
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AT WHICH TIME WE PLAN TO VOTE FOR APPROVAL.

THE FIRST UNCTAD PREPARATORY MEETING ON VEGETABLE OILS AND OILSEEDS IS SCHEDULED FOR GENEVA, JUNE 21-JULY 1. ONE UNIQUE ASPECT OF THIS MEETING IS THAT WE WILL BE

PARTICIPATING AS AN EXPORTER. OUR OBJECTIVE FOR THE MEETING IS TO ESTABLISH A TECHNICAL GROUP TO STUDY THE PROBLEMS OF THE MARKET. EB BELIEVES IT UNLIKELY THAT WE WILL HAVE PROBLEMS WITH THIS PLAN AS THE UNCTAD SECRETARIAT REPORT INDICATED THAT OIL BUFFER STOCKS INVOLVE A LOT OF TRICKY TECHNICAL QUESTIONS AND RECOMMENDED MORE STUDY.

7. IEA MEETING (CONFIDENTIAL)

THE GOVERNING BOARD OF THE INTERNATIONAL ENERGY AGENCY (IEA) IS MEETING IN PARIS ON JUNE 27-28. THIS WILL BE AN IMPORTANT MEETING IN WHICH WE ARE SEEKING AN AGREEMENT TO A COMMITMENT TO REDUCE DEPENDENCY ON EXTERNAL ENERGY RESOURCES. THE AGREEMENT AND ITS MODALITIES TO CARRY IT OUT ARE TO BE APPROVED AT A MINISTERS' MEETING THIS FALL. WE WILL ALSO USE THE GOVERNING BOARD MEETING TO CONSULT WITH MEMBERS OF THE IEA WHETHER OR NOT IT MIGHT BE ADVISABLE TO CONTINUE TO SEEK AN ONGOING ENERGY DIALOGUE BETWEEN PRODUCERS AND CONSUMERS.

8. PERSONNEL (UNCLASSIFIED)

DICK IMUS DEPARTED LAST WEEK ON HIS NEW ASSIGNMENT AS ECONOMIC COUNSELOR IN WELLINGTON. WE WILL SORELY MISS HIM, PARTICULARLY IN THE COMING WEEKS WHEN WE WILL BE BUSY WITH PREPARATIONS FOR THE SUB-CABINET MEETING WITH JAPAN AND US-ASEAN CONSULTATIONS.

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